

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1339 - SB 1116

March 7, 2011

SUMMARY OF BILL: Deletes the Petroleum Underground Storage Tank Act, including all regulatory requirements of the state, the Underground Storage Tank Fund, and clean-up programs.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – \$3,000,000/FY11-12/General Fund
\$18,755,000/FY11-12/Underground Storage Tank Fund
\$21,755,000/FY12-13 and Subsequent Years/
Underground Storage Tank Fund**

**Decrease State Expenditures –
\$18,755,000/FY11-12/Underground Storage Tank Fund
\$21,755,000/FY12-13 and Subsequent Years/
Underground Storage Tank Fund**

Decrease Federal Expenditures – \$2,245,000/Underground Storage Tank Fund

Increase Local Expenditures – Exceeds \$110,300*

Other Fiscal Impact – The state will remain liable for any clean-up costs at previously approved sites. The Department of Environment and Conservation estimates the current liability to exceed the balance of the Underground Storage Tank Fund by \$20,000,000. Future clean-up costs will require an appropriation from the General Fund in an unknown amount up to \$20,000,000.

Assumptions:

- According to the Department of Environment and Conservation (TDEC), the Underground Storage Tank (UST) Program applies for two federal grants each year totaling \$2,245,000 per year based on FY09-10 and FY10-11 grant revenue. Ending the program would decrease recurring state revenue to the Underground Storage Tank Fund (USTF) and decrease recurring federal expenditures an equal amount.

- Approximately \$21,755,000 in recurring assurance fee and tank fee revenue will be eliminated.
- A recurring decrease in fund revenue to the USTF of \$24,000,000 (\$21,755,000 state fees + \$2,245,000 federal grants). An equal decrease in recurring expenditures each year.
- Pursuant to Tenn. Code Ann. § 68-215-110(h)(3)(A)(ii), the state shall credit an amount not to exceed \$3,000,000 to the General Fund annually from environmental assurance fee revenue for a period of three years beginning July 1, 2009. Revenue to the General Fund will decrease \$3,000,000 in FY11-12.
- According to TDEC, there are 441 tanks owned by cities and counties currently insured by the USTF which will no longer meet federal requirements for financial responsibility. In FY04-05, TDEC investigated insurance rates for underground storage tanks; at the time insurance rates exceeded \$250 per year. Insurance rates have likely increased over the six-year period. The increase in local government expenditures to insure underground storage tanks will exceed \$110,250 per year (441 tanks x \$250 per year).
- The state remains liable for clean-up at previously approved sites.

**Article II, Section 24 of the Tennessee Constitution provides that: No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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